

RI Long-Term-Care Spending: Where Do the \$\$\$\$ Go?

FY2003

A Report of the Rhode Island Long-Term-Care-Coordinating

Lt. Governor Charles J. Fogarty, Chairman

7th Edition
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Introduction and Overview

This is the seventh edition of RI Long-Term-Care Spending: Where do the \$\$\$\$ Go?. It provides long-term care spending and utilization data for state FY2003. The council develops these reports to provide state policymakers with useful information to help direct long-term-care planning and to evaluate and develop strategies for government financing of long-term care.

The report shows that spending on home-and community-based care continued to increase at a faster rate than that of the other categories. Moreover, in terms of absolute dollars, the increase in spending for home and community-based care surpassed the increase in dollars spent for institutional care as a result of decreased spending for long-term care funded by the Eleanor

Slater Hospital. The proportion of spending among categories also showed a shift with 10 percent of total spending going toward home and community-based care and 88 percent for institutional care. This was a one percent increase in the proportion of total dollars spent for home and community care from FY2002. Regulatory and administrative spending remained at two percent.

Significantly, the report shows a twelve percent decrease over the most recent five-year period in the number of annual Medicaid-funded nursing home bed days. During this time, nursing home bed capacity decreased by 700 beds, nursing home occupancy decreased from 92.07% to 90.11%, the amount of long-term care days provided at the Eleanor Slater Hospital decreased, and overall use of subsidized home and community services increased. This data suggests that the council's efforts to achieve greater balance, consumer choice and efficiency in the state's long-term care system are having an impact.

Data in the report includes long-term-care spending and selected performance data for elders and persons with disabilities for FY2003 (July 1, 2002 to June 30, 2003) from four different state departments that fund components of the state long-term-care service system. The data is presented in the four broad spending categories of institutional care, home-and community-based care, regulatory/selected administrative expenses and long-term-care-related services (transportation, pharmaceutical assistance, protective services, customer service) available to many long-term-care service users, especially those who remain living in the community.

In addition to the year-to-year spending comparisons with FY2002, the report includes an overview of state long-term-care spending by major categories going back to FY1997. The report also includes capacity data for licensed long-term-care service providers in FY2003.

As in past years, the report does not include funds spent for services for developmentally disabled (DD) persons as these services have generally not been examined by the Council. Funds spent for the chronically mentally ill, other than those spent by the Eleanor Slater Hospital (ESH), are also not included. It should be noted that some national reports on long-term-care spending do include funds spent for services for persons with DD and community services for the mentally ill and may, therefore, report different aggregate spending in the proportion of long-term-care funds spent for home and community care. The report also does not capture funds spent through the Medicare system, by third-party insurers or privately by individuals

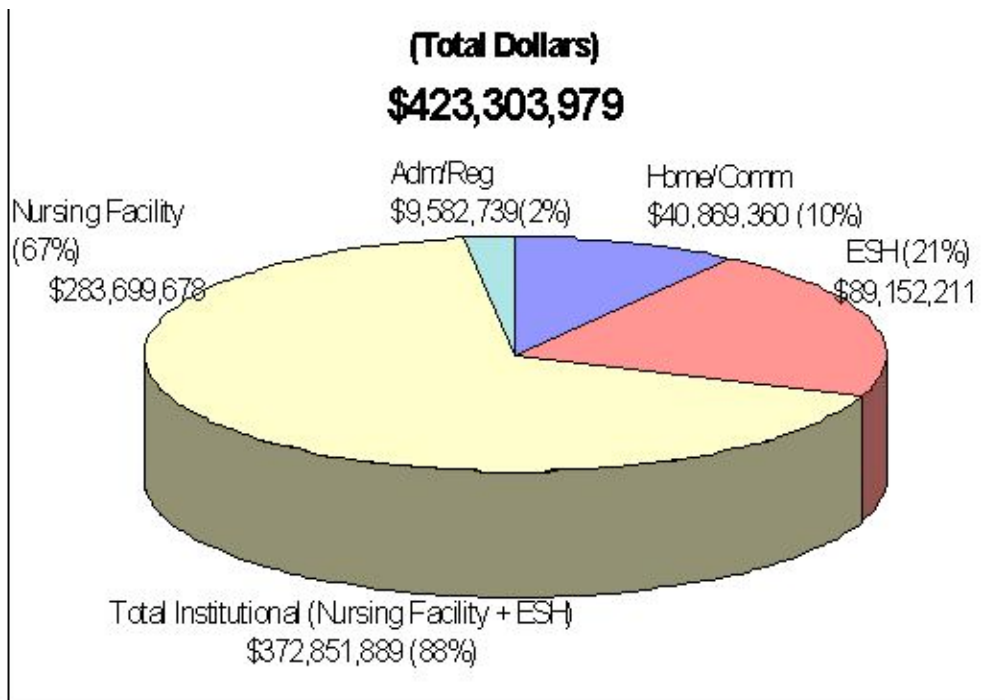
Acknowledgement: This report was prepared by a Budget Work Group of the Long-Term-Care Coordinating Council that included: Barbara Muzeni, Elderly Affairs (DEA); Michael Martineau, Health (DOH); Dianne Kayala, Human Services (DHS); and Frances O'Connell, Mental Health, Retardation and Hospitals (MHRH). Data on individual departmental expenditures and service use was provided by department staff and aggregated and analyzed by Council staff. We thank the members of the Work Group for their continued assistance in preparing this report.

Lt. Governor Charles J. Fogarty, Chairman
Maureen Maigret, Executive Director

FY 2003 Total Long-Term Care Spending

Overall spending increased by 2% (\$8,540,234) from FY2002 to FY2003. Of the spending increase, 60% went to home and community care services, 32% for institutional care and 8% for reg/administrative services. This was a significant change from the prior year in which 79% of the spending increase was used to pay for institutional care and 19% of the increase for home and community services. Federal funds accounted for 54% of total spending, a shift from the FY2002 level of 51%.

FY2003 Long-Term-Care Spending



FY 2003 State Long-Term Care Spending

State dollars spent for long-term care in FY 2003 decreased by 3% (-\$6,813,572) from FY2002. Institutional care decreased by 4% (-\$6,098,907), home and community care spending decreased by 5% (-\$1,048,128) and regulatory/administrative spending increased by 8% although HEALTHs regulatory spending decreased by 7%. State funds represented 46% of total spending in FY2003. This was a shift from FY2002 when state funds accounted for 49% of total spending.



INSTITUTIONAL CARE: \$373,851,889

88% of total spending for institutional care

1% Increase in total institutional long-term care spending (\$2,697,942)

4% Decrease (\$3,306,897) in Eleanor Slater Hospital long-term care spending; 6% Decrease (5562) in long-term care bed days (non-psychiatric) provided; \$776 cost per long-term care day (excludes psychiatric days)

2% Increase (\$6,004,839) in all types of Nursing Facility type spending;

2% Increase (\$5,654,478) in Medicaid Nursing Home spending;

1% Increase (\$222,275) in Veterans' Home spending

2,342,897 DHS-funded Medicaid nursing home bed days provided;

3% less Medicaid nursing home days (66,748) than FY2002

10,921 persons received DHS Medicaid funded nursing home care;

6% less persons (690) than FY2002

Medicaid cost per nursing home day: \$111.32

In FY2003, 88% of long-term care spending was for institutional care, one percent less than FY2002 and two percent less than FY2001. This shift in institutional spending primarily resulted from decreased spending for long-term care at the Eleanor Slater Hospital (ESH). Adult long-term psychiatric care spending decreased by 7 percent (\$1.5 million) and long-term hospital care by 3 percent (\$1,778,302). Spending for ESH long-term care accounted for 24% of institutional spending and nursing facility care equaled 76%. The use of Medicaid-funded nursing facility care continued its downward trend with a 3 percent decrease in the number of reimbursed days of care. The other major change was an increase in the proportion of federal funds from 52 percent to 54 percent with federal funds for institutional spending increasing by 4.6 percent (\$8,796,849) at the same time that overall spending in the institutional category increased by a modest one percent.

HOME AND COMMUNITY CARE: \$40,869,360

10% of long-term care spending was for home/community-based care

14% Increase (\$4,968,986) from FY2002

DHS Homemaker Title XX services spending decreased by \$99,624 (8%) and served 613 persons, 24% fewer than FY2002

DHS Aging and Disabled Waiver program spending increased by 16% (\$2,185,545) and served 1747 persons

59% of DHS Aging and Disabled clients are age 65 and over

DHS Aging and Disabled waiver cost per client: \$9,294

DEA Home Care Waiver program increased spending by 19% (\$499,917) and served 492 persons (19% more than FY2002)

DEA Home Care Waiver cost per client: \$6,442

DEA Co-pay program increased spending by 31% (\$583,693)

DEA Co-pay program cost per enrollee: \$2,505

DEA Co-pay program provided 181,700 hours of care, 15% more than FY2002

DEA Co-pay program provided 39,500 days of adult day service, 6% more than FY2002

DEA Adult day co-pay cost per client per day of service: \$29.52

DHS provided 825 persons with approx. 40,982 days of adult day services

DHS adult day service cost per client day: \$37.11

Total Adult Day Service reimbursement (DHS & DEA) increased 4% (\$120,747) This figure excludes provider grants

DHS Medicaid Assisted Living program spending increased 8% (\$173,325) and remained at 200-person capacity with about 100 persons on "wait list"

DHS served 346 persons in Medicaid Assisted Living at avg. cost/day of \$35.54

DHS SSI enhanced payments increased 3% (\$153,100)

Respite services spending increased to \$600,194 (31%)

In FY2003, spending for home and community care services increased to \$40,869,360, a 14% increase over FY2002. Spending in this category comprised 10% of total long-term care spending for FY2003, a one percent increase from FY2002 and two percent increase from FY2001. Seventy-five percent of this spending was for persons age 65 and over and 41% of the dollars were from federal sources. The DHS waiver for the aged and disabled continues to comprise the largest component (40%) of home and community care spending and increased 16% from FY2002, a far larger increase than the 6% increase from FY2001 to FY2002. This program served about the same number of persons as FY2002 (1747 in FY2003; 1782 in FY2002).

The DEA home care co-pay and waiver programs saw increases of 31% (\$583,693) and 19% (\$499,991) respectively, reversing the trend of decreased spending shown in the council's prior year report.

In the area of 24-hour personal care and residential services, SSI assisted living state enhancement payments saw a modest spending increase of 3% (\$153,100). The DEA assisted living waiver saw a 38% increase (\$13,474) and the DHS assisted living waiver had an 8% increase (\$173,325) and remained at its authorized funding level of 200 persons. However, about 100 persons continued to be on a "wait list" to be accepted onto this program.

Adult day services subsidized by DHS under the Medicaid state plan and by the DEA co-pay program increased 4% (\$120,747) to \$2,686,830 and represented 7% of total home and community care spending.

Respite services spending increased by \$140,829 as a result of federal funds used to pay services provided in FY2002 but requested late.

REGULATORY AND ADMINISTRATIVE: \$9,582,730

4% spending decrease for HEALTH regulatory activities

11% Increase (\$458,185) in DHS spending for Medicaid Eligibility, Screening & Assessment

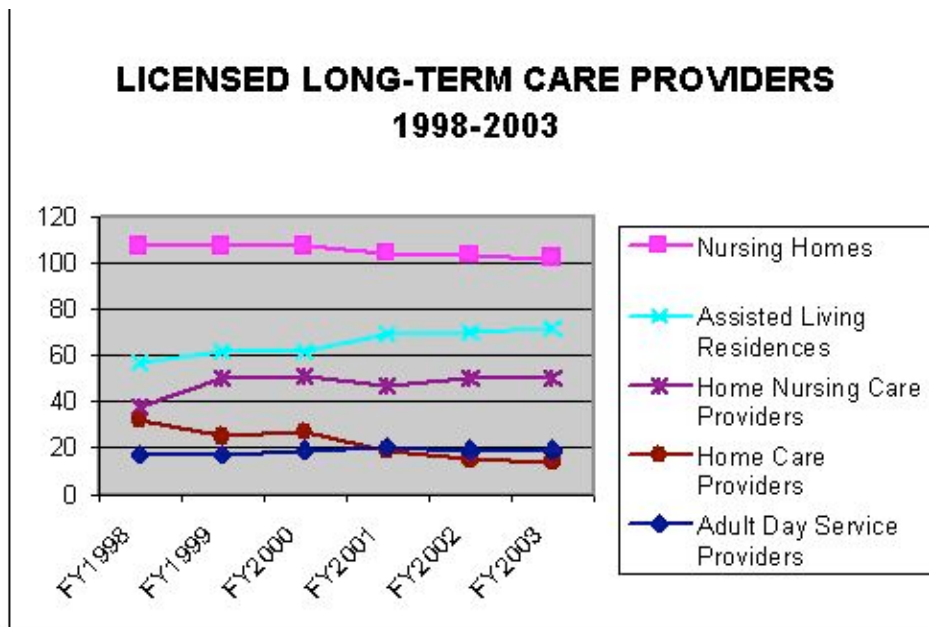
20% increase in DEA case management spending

(Note: In prior year's budget, some of these dollars had been categorized as protective services spending in the "Long-term care related spending category".)

Table 1. Licensed Long-Term Care Providers: FY1998-FY2003

	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003
Nursing Facilities	107	107	107	104	103	102
Number of Beds	10,878	10,670	10,712	10,257	10,262	10,178
Average Beds/Facility	102	99.7	100.1	98.6	99.6	100
Occupancy Rate	92.07%	90.1%	90.55%	90.41%	90.11%	n/a
Assisted Living Residences	57	62	66	69	70	72
Number of Units	2,165	2,472	3,018	3,296	3,372	3,552
Average Units/Residence	39.9	43.4	48.7	48.6	48.2	49
Home Nursing Care Providers	38	50	51	47	50	50
Home Care Providers	32	25	27	19	15	14
Adult Day Service Providers	17	17	19	20	19	19
Total Client Capacity					707	707

As shown in Table 1, there was a decrease of 700 nursing home beds (6%) since FY1998. At the same time, capacity in assisted living increased by 15 residences (64%) and 1387 units with a significant increase in average number of units per residence. The number of home nursing care providers has remained steady with the number of home care providers dropping by more than half. This is reportedly due to many providers now being licensed as home nursing care providers. Licensed adult day service programs saw a moderate increase from 17 to 20 at the beginning of the period and have been fairly stable since then.



LONG-TERM CARE RELATED EXPENSES: \$24,704,522

\$2,289,472 (10%) increase from FY2002

RIPAE Increase of \$1,421,528 (12%) to \$13,342,139 (not adjusted for rebate)

DHS Ambulance services increased by \$557,564 (60%)

Beside the DEA pharmaceutical program, the long-term care-related services in this total include: DEA information/referral, paratransit, congregate meals and protective services; and Medicaid skilled home nursing and therapies and ambulance services. Long-term care spending data aggregated for this report does not include these related services. We have chosen to briefly note them as so many persons living at home are assisted in remaining at home due to these important services

FY1997 - FY2003 LONG-TERM-CARE SPENDING AND SERVICE TRENDS

Over the six-year period total spending for the reported categories increased by \$89,666,083 for a CAGR of 4 percent as shown in table 3.

The most notable trend in spending and service use is the decrease in institutional level care. The number of days of long-term care at ESH dropped from a high of 113,718 in FY2001 to 88,339 in FY2003 (See Table 2). Utilization of Medicaid-funded nursing home bed days decreased 11.55 percent decrease over the FY1998 to FY2003 period. This decrease of 305,864 days would be equal to about 830 persons each using a full year (365 days) of nursing home care (See Chart 6). There was a concurrent \$40,934,323 increase for Medicaid nursing home spending (19%) from FY1997 to FY2003 with a CAGR of 3 percent (See Chart 4). The increase is a result of annual cost of living adjustments and nursing home's share of a one-time "wage - compensation" pass through for direct care workers of about \$8.6 million in FY2002 which became part of future year reimbursable spending.

The other significant trend during the reported time period is the steady increase in home and

community-care spending which increased 137 percent (\$23,612,420) with a CAGR of 15 percent (See Chart 6). About one-third (34%) of the spending increase in home and community care was for the DHS aging and disabled Medicaid waiver services which increased 97 percent.

The DHS SSI enhancement spending for assisted living was the second largest dollar increase in home and community services (\$3,681,521) with a 307% spending increase over the reported timeframe (See Chart 9). This increase reflects an increase in the state enhancement of \$250/month that started in FY1999. The next largest dollar increase was for DHS and DEA adult day care spending which increased by \$2,108,803 (159%).

Spending in the home and community-care category is spread across a number of programs and two departments. Data provided showed the DHS aging and disabled program served 22% more persons in FY2003 than it did in FY1998 with the biggest increase in clients occurring in FY 2002. At the same time, the DEA home care waiver increased 20% during this time with a slight drop in FY1999, followed by a major increase in the past year. (See Chart 7). The DEA co-pay program increased the hours of home care by some 90%, providing 86,080 more hours of home care in FY2003 than it did in FY1998 with a major growth spurt occurring between FY1998 and FY1999. Growth in use of the DEA co-pay for adult day services has been sporadic. A major increase took place from FY1998 to FY1999 when program use went 35,150 days to 44,413 days. This was followed by a significant drop in FY2000 to 29,895 days and then a much slower rate of growth to 39,500 days of use in FY2003 (See Chart 8).

The DEA assisted living waiver program began in FY1999 and the DHS assisted living program became fully subscribed at its appropriated level of 200-persons in FY2002. Combined spending for these programs grew from \$159,886 in FY1999 to \$2,264,309 in FY2003.

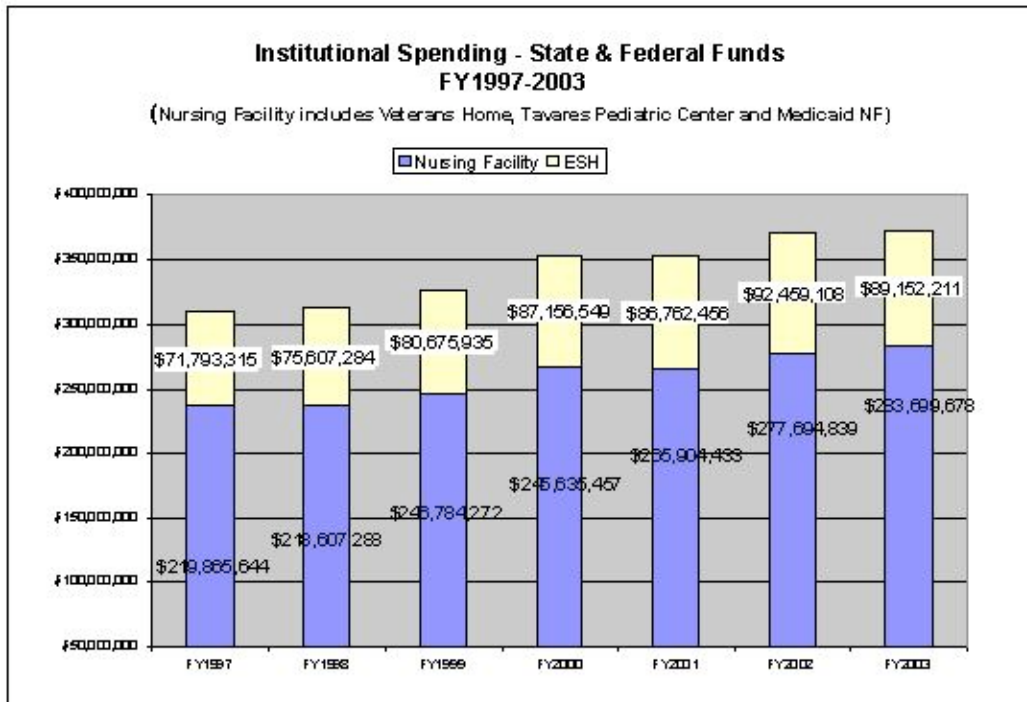


Table 2. Eleanor Slater Hospital Long-term Care Bed Days

(does not include any psychiatric bed days)

	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003
ESH Total number of long-term care bed days	106,045	106,097	113,718	112,098	93,901	88,339

